

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

CARP LAKE TOWNSHIP
WHITE PINE, MI

March 31, 2004

66-1030

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Carp Lake Township	County Ontonagon
Audit Date 3/31/2004	Opinion Date 11/17/2004	Date Accountant Report Submitted to State: 12/27/2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan, as revised, Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).	x		

Certified Public Accountant (Firm Name) Roger J. Kolehmainen PC CPA			
Street Address 1445 East Cloverland Drive	City Ironwood	State MI	ZIP 49938
Accountant Signature 			

CONTENTS

AUDITED FINANCIAL STATEMENTS

Independent Auditor's Report	2
Combined Balance Sheet- All Fund Types and Account Groups	5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances- All Government Fund Types.	7
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances and Comparison with Budget - All Government Fund Types	8
Statement of Operations and Retained Earnings (Deficit) - Proprietary Fund	10
Statement of Cash Flows - Proprietary Fund	11
Notes to Financial Statements	12

OTHER FINANCIAL INFORMATION:

Combining and Individual Fund Financial Statements:

General Fund	
Statement of Revenues - Budget to Actual	28
Statement of Expenditures - Budget to Actual	29
Special Revenue Funds:	
Combining Balance Sheets	33
Combining Statement of Revenues, Expenses and Changes in Fund Balances	34
Capital Project Funds:	
Combining Balance Sheets	35
Combining Statement of Revenues, Expenses and Changes in Fund Balances	36
Fiduciary Funds:	
Combined Balance Sheet	37
Statement of Changes in Assets and Liabilities	38
Schedule of Expenditures of Federal Awards	40
Notes to Schedule of Expenditures of Federal Awards	41

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	42
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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	45
Schedule of Findings and Questioned Costs	47

Summary Schedule of Prior Year Findings	48
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Roger J. Kolehmainen CPA PC
1445 East Cloverland Drive
Ironwood, MI 49938

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Carp Lake Township
White Pine, Michigan

We have audited the accompanying general purpose financial statements of Carp Lake Township and its combining and individual fund financial statements as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis in our opinion.

The Township has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in the financial report.

In our opinion, except for the statement of general fixed assets not presented, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Carp Lake Township as of March 31, 2004, and the results of its operations and its cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 17, 2004, on our consideration of Carp Lake Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Carp Lake Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.


Roger J. Kolehmainen PC
Certified Public Accountant

Ironwood, Michigan
November 17, 2004

GENERAL
PURPOSE
FINANCIAL
STATEMENTS

CARP LAKE
COMBINED BALANCE SHEET
March 31,

	Government Fund Types		Proprietary Fund Type
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise</u>
ASSETS			
Cash and cash equivalents	\$159,492	\$145,604	\$188,828
Accounts receivable-net			45,720
Delinquent taxes receivable	9,773		
Due from other funds	7,709		
Prepaid expenses	6,653		4,496
Land			50,000
Plant & lines			1,287,000
Equipment			3,473
Accumulated depreciation			(323,318)
Work in process			886,405
Deferred loan cost			18,713
Restricted cash	19,686		53,144
Accrued interest income	289	68	
Amount to be provided for Retirement of long-term debt			
TOTAL ASSETS	\$203,602	\$145,672	\$2,214,461
LIABILITIES AND MUNICIPAL EQUITY			
Liabilities:			
Accounts payable	\$9,988	\$330	\$4,360
Accounts payable – construction			64,508
Accrued wages/benefits	4,781		6,406
Due to other funds		665	5,556
Loan payable			
Bonds payable			808,000
TOTAL LIABILITIES	\$14,769	\$995	\$888,830
Fund Equity:			
Contributed Capital			63,245
Retained Earnings:			1,262,386
Unreserved			
Fund Balances:			
Undesignated	169,147	144,677	
Designated	19,686		
TOTAL LIABILITIES AND EQUITY	\$203,602	\$145,672	\$2,214,461

The accompanying notes are an integral part of the financial statements.

TOWNSHIP
ALL FUNDS TYPES
2004

Account Groups		Fiduciary Fund Type	
<u>Capital Projects</u>	<u>Long Term Debt</u>	<u>Trust Funds</u>	<u>Totals (Memorandum Only)</u>
\$520		\$1,847	\$496,291
67,231			112,951
			9,773
			7,709
			11,149
			50,000
			1,287,000
			3,473
			(323,318)
			886,405
			18,713
			72,830
			357
	\$41,747		41,747
\$67,751	\$41,747	\$1,847	\$2,675,080
\$67,751		\$359	\$15,037
			132,259
			11,187
		1,488	7,709
	\$41,747		41,747
			808,000
\$67,751	\$41,747	\$1,847	\$1,015,939
			63,245
			1,262,386
			313,824
			19,686
\$67,751	\$41,747	\$1,847	\$2,675,080

CARP LAKE TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENT FUND TYPES
Year Ended MARCH 31, 2004

	Government Fund Types		
	General <u>Fund</u>	Special <u>Revenue</u>	Totals (Memorandum <u>Only</u>)
=====REVENUES=====			
Taxes	\$30,137		\$30,137
Other taxes	21,344		21,344
Tax administrative fees	4,186		4,186
Licenses and permits		\$5,825	5,825
Rentals	2,080		2,080
State/Federal shared revenues	61,838	\$58,275	120,113
Charges for services			
Interest	2,922	1,307	4,229
Contributions	22,000	55,000	77,000
Other revenue	3,151		3,151
TOTAL REVENUES	\$147,658	\$120,407	\$268,065
=====EXPENDITURES=====			
Legislative	\$19,179	\$	\$19,179
General government	48,045		48,045
Public safety	16,618	12,630	29,248
Public works	28,315		28,315
Parks and recreation	46,908		46,908
Economic development		105,000	105,000
Other	9,547		9,547
TOTAL EXPENDITURES	\$168,612	\$117,630	\$286,242
EXCESS OF REVENUES (EXPENDITURES)	(\$20,954)	\$2,777	(\$18,177)
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	\$743	\$	\$743
Transfers to other funds		(743)	(743)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES	(\$20,211)	\$2,034	(\$18,177)
OVER EXPENSES AND OTHER FINANCING USE			
Fund balance at 4/1/2003	\$209,044	\$142,643	\$351,687
FUND BALANCE 3/31/2004	\$188,833	\$144,677	\$333,510

The accompanying notes are an integral part of the financial statements.

CARP LAKE
STATEMENT OF
AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL
Year ended

<u>General Fund</u>			
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
=====REVENUES=====			
Taxes	\$29,000	\$30,137	\$1,137
Other taxes	19,600	21,344	1,744
Tax administrative fees	2,900	4,186	1,286
Licenses and permits			
Rentals	2,500	2,080	(420)
State/Federal shared revenues	60,000	61,838	1,838
Charges for services			
Other revenue	27,000	3,151	(23,849)
Interest		2,922	2,922
Contributions		22,000	22,000
	<u>\$141,000</u>	<u>\$147,658</u>	<u>\$6,658</u>
=====EXPENDITURES=====			
Legislative	\$37,850	\$19,179	\$18,671
General government	49,250	48,045	1,205
Public safety	18,200	16,618	1,582
Public works	29,000	28,315	685
Parks and recreation	44,300	46,908	(2,608)
Economic development			
Other	4,000	5,488	(1,488)
Debt service		4,059	(4,059)
	<u>\$182,600</u>	<u>\$168,612</u>	<u>\$13,988</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$41,600)	(\$20,954)	\$20,646
OTHER FINANCING SOURCES (USES)			
Transfers to/from other funds	\$37,800	\$743	(\$37,057)
EXCESS OF REVENUES (EXPENDITURES) AND OTHER FINANCING USES)	(\$3,800)	(\$20,211)	(\$16,411)
Fund Balance at 4/1/2003	<u>\$209,044</u>	<u>\$209,044</u>	<u>\$</u>
FUND BALANCE MARCH 31,2004	<u>\$205,244</u>	<u>\$188,833</u>	<u>(\$16,411)</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP
REVENUES, EXPENDITURES
AND COMPARISON WITH BUDGET
FUND TYPES
March 31, 2004

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
\$2,723	\$	(\$2,723)
6,500	58,275	51,775
3,100	5,825	2,725
250	1,307	1,057
	55,000	55,000
\$12,573	\$120,407	\$107,834
\$5,143	\$12,630	(\$7,487)
40,000		40,000
	105,000	(105,000)
\$45,143	\$117,630	(\$72,487)
(\$32,570)	\$2,777	\$35,347
	(\$743)	(743)
(\$32,570)	\$2,034	\$34,604
\$142,643	\$142,643	\$
\$110,073	\$144,677	\$34,604

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED-EARNINGS (DEFICIT) - PROPRIETARY FUND TYPE
CARP LAKE TOWNSHIP
Year ended March 31, 2004

	Enterprise Funds
Operating revenues:	
Charges for services	\$169,140
Total Operating Revenues	<u>\$169,140</u>
Operating expenses:	
Personnel services/taxes	\$47,135
Purchase of services	5,138
Materials and supplies	3,538
Provision for depreciation	54,401
Insurance	7,508
Utilities	19,728
Miscellaneous	<u>572</u>
Total Operating Expenses	138,020
Administrative expenses:	
Wages/taxes	\$7,529
Supplies	2,584
Professional services	3,255
Communications	568
Printing and publishing	779
Miscellaneous	270
Chargebacks	<u>1,456</u>
Total Administrative Expenses	16,441
Operating income (loss)	<u>\$14,679</u>
Nonoperating revenue-interest	874
Net Income (loss)	<u>\$15,553</u>
Retained Earnings March 31, 2003	<u>1,246,833</u>
RETAINED EARNINGS (DEFICIT) MARCH 31, 2004	<u>\$1,262,386</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 CARP LAKE TOWNSHIP
 Year ended March 31, 2004

	Enterprise Fund
Cash flows from operating activities:	
Income from operations	\$15,553
Adjustments to reconcile income from operations to net cash Provided by operating activities:	
Depreciation	\$54,401
(Increase) decrease in:	
Accounts receivable	1,010
Prepaid expenses	(516)
Increase (decrease) in:	
Accounts payable	(671)
Accounts payable - Construction	(167,216)
Accrued payroll/benefits	4,269
Total adjustments	<u>(108,723)</u>
Net Cash Provided by Operating Activities	(\$93,170)
Cash flows from capital and related Financing activities:	
Fixed assets acquisitions	(560,910)
Deferred loan costs	(18,713)
Financing activities:	
Revenue bonds payable	<u>808,000</u>
Net cash provided (used) for capital and related financing activities	<u>\$228,377</u>
Net increase (decrease) in cash and cash equivalents	\$135,207
Cash and Cash Equivalents, March 31, 2003	106,765
Cash and Cash Equivalents, March 31, 2004	<u>\$241,972</u>

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

==NOTE A - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES==

The Carp Lake Township operates under an elected board of trustees, which includes a supervisor, clerk and treasurer. The Township provides to its residents, services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning, and general administrative services. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township financial reporting entity. The criteria established for determining the various governmental organizations to be included as component in the Township's financial statements include oversight responsibility, scope of public service, and special financing

On this basis, the financial statements of the local school district and an area library non-profit entity are not included as component units in the financial statement of the Township. Educational services are provided to citizens through the local school district, which is a separate governmental entity. The library is organized as a separate legal entity.

Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and components units that are controlled by or dependent on the Township's executive or legislative branches.

Basis of Presentation - Fund Accounting

The Township uses funds and account groups to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial-reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available resources.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Funds are classified into the following three categories.

GOVERNMENTAL FUNDS

General Fund - is the general operating fund of the Township. This fund is used to account for all financial resources except those required to be accounted for in another fund. This fund includes general operating expenditures of the Township. Revenues are derived primarily from property taxes, state shared revenues and various local sources.

Special Revenue Fund - are used by the Township to account for the proceeds of specific revenue sources such as Road, Fire, Building Inspections, Liquor Enforcement and Power Plant (CDBG Grant) Funds that are legally restricted to expenditures for specific purposes.

Capital Project Fund - are used to account for financial resources to be used for the infrastructure improvements and environmental cleanup efforts at the White Pine Industrial Park.

PROPRIETARY FUNDS

Proprietary Funds - Sanitary Sewage Disposal System Fund - are used to account for waste water sewage system in a manner similar to private business enterprises, where the intent of the Township is that the expenses, including depreciation, of providing services to the general public on a continuing basis are to be financed or recovered primarily through user charges.

FIDUCIARY FUND TYPE

Agency Funds - are used to account for assets held by the Township in a trustee capacity or as an agent for other governments, and/or funds. These include the Trust and Agency and Tax collection funds. These funds are custodial in nature and do not involve measurement of results of operations.

ACCOUNT GROUP

General Long-Term Debt Account Group - This is not a fund but an account group used to present the balance of general obligation long-term debt, which is not recorded in Enterprise Funds.

Basis of Accounting and Measurement Focus

The basis of accounting determines when transactions and economic events are reflected in financial statements, and measurement focus identifies which transactions and events should be recorded.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds and the Agency Funds use the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable (flow of current financial resources measurement focus). Licenses and permits, charges for services and miscellaneous revenues are recorded as revenues when received in cash. General real property taxes and investment earnings are recorded when levied or earned (when they are measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service and other long-term obligations, which are recognized when paid.

Proprietary Fund uses the accrual basis of accounting and the flow of economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, and revenues are recorded when earned and expenses are recorded when incurred.

Budgets and the Budgetary Process

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held at the annual Township Board meeting to obtain taxpayers comments.
3. Prior to April 1, the budget is legally enacted by the Township Board.
4. Any revisions to the budgeted amounts must be approved by the Township Board.
5. Budgets for the General Fund and one Special Revenue Fund were adopted on a basis consistent with generally accepted accounting principles.
6. Budgeted amounts presented in the financial statements are as originally adopted and subsequently amended.

All budget appropriations lapse at year end.

Basis of Accounting and Measurement Focus

The basis of accounting determines when transactions and economic events are reflected in financial statements, and measurement focus identifies which transactions and events should be recorded.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Receivables

Credit is extended to customers of the Enterprise Fund. All receivables are reported at their gross values, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Sewer Fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year. The Township has adopted an ordinance effective September 1, 1999, which would allow for delinquent accounts to be added to the tax roll.

Interest Receivables

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Inventories

Inventories of Governmental and Proprietary Funds operating supplies are considered to be immaterial and are not recognized.

Due To and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Fixed Assets

Fixed assets are recorded as expenditures in the Governmental Type Fund at the time of purchase. The Township does not maintain a General Fixed Asset Group of Accounts as required by generally accepted accounting principles and Michigan Uniform Accounting Systems. Therefore, the enclosed financial statements do not contain a statement of general fixed assets as required. Furthermore, public domain (infrastructure) fixed assets such as roads, curbs and gutters; drainage systems and lighting are not capitalized. No depreciation has been provided on general fixed assets.

Land, property, plant and equipment acquired for the proprietary fund activities are capitalized. Assets acquired by donation are valued at their estimated fair value on the date donated; otherwise, assets purchased are stated at cost.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations and accumulated depreciation is reported on the proprietary funds' balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. Majority of assets were acquired by donation.

The Utility Plant and distribution system are being depreciated over 24 years, which is considered its remaining economic life. Equipment is being depreciated over seven years. Office equipment and software is being depreciated over three to five years.

Infrastructure fixed assets consisting of roads, drainage, and utility site development funded under the CDBG program are considered immovable and of value only to the Township. These improvements have not been recorded as an asset in the financial statements of the Township.

Deferred Loan Cost

Deferred loan costs consist of attorney fees and other costs paid in connection with receiving approval of new bond proceeds.

Interest Payable

Interests paid on monies financed during the proprietary lagoon construction project have been capitalized as part of the cost of work in progress.

Long-Term Debt

Ontonagon County and the Township jointly agreed to participate equally in an economic development project and assumed responsibility for repayment of CDBG loan proceeds.

Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien of December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent tax rolls. The Township records real property taxes as revenue when levied and a corresponding receivable account established. The County advances the Township an amount equal to the delinquent real taxes turned over shortly after year end.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those amounts.

Total Columns on Combined Financial Statements - Overview

The total column on the Combined Financial Statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column do present financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Statement of Cash Flows

The Township's cash and cash equivalents are considered to be certificates of deposits, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

State statutes authorize the Township to invest in U.S. government obligations, certificates of deposit, commercial paper, repurchase agreements, banker's acceptances, and with some restrictions, mutual funds. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan.

All investments, if any, are stated at fair market value.

Fund Equity

The unreserved undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Reserved fund balance of \$19,686 for governmental funds represents that portion of fund equity, which has been legally segregated for debt retirement on economic development activities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 621 of 1978 Disclosure

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of amounts appropriated. In the body of the financial statements, the Township's actual expenditures and appropriations have been shown on an activity basis. The budgetary process for the Special Revenue Funds of the Township identified expenditures being incurred in excess of budgeted amounts.

See page 9 for additional information.

NOTE C - CASH AND INVESTMENT INFORMATION

The carrying amount of deposits is presented on the balance sheet as "Cash and Cash Equivalents".

Statutes authorize the Township to deposit cash in financial institutions covered by federal depository insurance and to invest in obligations of the United States Treasury, agencies and instrumentalities; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services; United States government or agency obligation repurchase agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks.

The carrying amount of the Township's deposits with financial institutions was \$569,071. The bank balance is categorized as follows:

Amount insured by the FDIC or collateralized with securities held by the Township in its name	\$252,091
Uncollateralized and uninsured	406,380
Less checks outstanding	(89,400)

Total bank balance	<u>\$569,071</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The Township will need to assess the level of risk of each institution in evaluating which financial institutions to be used as depositories in reducing the uninsured risk. In addition, the laws of the State of Michigan do not provide for collateralization of bank deposits.

The Township's deposits are in accordance with statutory authority.

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable and related allowances for uncollectible are as follows:

Fund	Receivable	Allowance	Net
General Fund	\$ 9,773	\$	\$9,773
Capital Project-EDA	\$67,231	\$	\$67,231
Sewer Fund	\$45,720	\$	\$45,720

NOTE E - SUMMARY OF 2003 TAX LEVY

Details of the Township's 2003 property tax levy are as follows:

Township:	
General Fund	\$ 29,664
County	383,788
CFR	38,331
Delinquent Utilities	<u>15,885</u>
Total Levy	<u>\$ 467,668</u>

Taxable valuation - (excluding commercial forest
reserve lands):

Real property/personal	<u>\$30,878,693</u>
------------------------	---------------------

Tax rate per \$1,000 valuation:

Township	\$.9673
County	12.429
	<u>-----</u>
	<u>\$ 13.3963</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2004, are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General Fund:		Trust & Agency:	
Due from Fire Fund	\$ 665	Due to General	\$ 212
Due from Tax Fund	1,276	Sewer Fund	
Due from Trust & Agency	212	Due to General	5,556
Due from Sewer Fund	5,556	Fire Fund:	
		Due to General	665
		Tax Fund:	
		Due to General	1,276
	----- \$7,709 =====		----- \$7,709 =====

NOTE G - LIQUOR LICENSE REBATES

Liquor license monies totaling \$1,751 were received during the year and were used to defray liquor law enforcement costs with the unexpended balance of monies transferred to the General Fund.

NOTE H - UTILITY PLANT IN SERVICE

A summary of utility plant in service at March 31, 2004, follows:

	Sewer Fund	Depreciable Life
	-----	-----
Land	\$ 50,000	
Plant and distribution lines/system	1,287,000	24 years
Equipment	904	7 years
Software/office equipment	2,569	3-5 years
	1,340,473	
Less accumulated depreciation	(323,318)	
	\$1,017,155	
Work in progress	886,405	
Net carrying amount	\$1,903,560 =====	
Depreciation Expense 2003/2004	\$ 54,401 =====	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Since 2001, the Township had hired an engineering firm to design a new lagoon system; let on bid; and started construction of a new lagoon system. The work in progress account reflects construction cost incurred up to March 31, 2004. Two construction contracts, awarded in the amount of \$4,194,017, were proceeding with anticipated completion date being the summer of 2005. Bonds proceeds of \$1,566,000 and grant proceeds of \$4,442,000 have been awarded and available to defray construction costs as being incurred.

NOTE I - ACCOUNTS PAYABLE

The Enterprise Fund's account payables were for normal expenditures and construction costs (\$64,508) at year end, whereas, the General Fund amounts were for normal accounts payable.

NOTE J - GENERAL LONG-TERM DEBT

On May 18, 1999, Carp Lake Township and Ontonagon County entered into a installment loan agreement with Michigan Jobs Commission to repay up to \$191,700 for development of a industrial park. The Township pledge future revenue sharing monies as security for the loan. The project has been completed and the Township has been notified that \$41,747 (their share) will need to be repaid, interest free. The original loan period was to be 15 years.

NOTE K - CHANGES IN LONG-TERM DEBT

<u>GENERAL LONG-TERM DEBT GROUP</u>			
	Balance 4/1/03	Additions (Deductions)	Balance 3/31/04
Loan from Michigan Jobs Commission to County (50%) and Township (50%) in CDBG Funds, dated 1999, for development of Industrial Park, interest free, up to 50% of loan may be forgiven at a rate of \$3,834 per job created. The loan is for 15 years. Majority of the reduction reflected was the result of loan forgiveness by the MJC. Township Share of CDBG Loan outstanding.	86,880	(45,133)	41,747
Totals	<u>\$ 86,880</u>	<u>\$45,133</u>	<u>\$41,747</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L – BONDS PAYABLE

In October 2003, the Township issued Sewage Disposal System Bonds (Limited Tax General Obligations, Series 2003, in the amounts of \$361,000 and \$1,205,000, bearing the interest rates of 4.25% and 4.5%, respectively. They were both single issue bonds purchased by USDA-Rural Development. As of March 31, 2004, the outstanding bonds balances were \$361,000 and \$447,000 for the Series 2003 bonds. The bonds will be retired over the next 40 years. Principal payments are due on October 1 and interest due April and October 1 of each year.

A summary of changes in bonds payable for the year ended March 31, 2004 are as follows:

	<u>Balance at</u> <u>March 31, 2003</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at</u> <u>March 31, 2004</u>
Series 2003A	\$	\$361,000	\$	\$361,000
Series 2003B		447,000		447,000
Totals	\$	\$808,000	\$	\$808,000

The annual aggregate maturities for the bonds (2003A) for years subsequent to March 31, 2004, are as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$4,000	\$14,144	\$18,144
2006	4,000	15,172	19,172
2007	4,000	15,002	19,002
2008	4,000	14,832	18,832
2009	4,000	14,662	18,662
2010-2014	24,000	70,508	94,508
2015-2019	29,000	64,984	93,984
2020-2024	37,000	58,184	95,184
2025-2029	45,000	49,684	94,684
2030-2034	56,000	39,230	95,230
2035-2039	69,000	13,112	82,112
2040-2044	81,000	10,414	91,414
	\$361,000	\$379,928	\$740,928

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M - FUND BALANCE DESIGNATIONS

The Township has General Fund Balance of \$19,686 for future economic development debt payments.

NOTE N - CONTRIBUTIONS IN AID OF CONSTRUCTION

A summary of contributions in aid of construction of the Enterprise Funds at March 31, 2004, follows:

State Grant Monies	\$63,245
--------------------	----------

The private contributions of \$1,337,000 have been reclassified to retained earning, another part of the equity section. Initial plant contributions by an outside party should have been recognized in the period received as non-operating income in lieu of capital contribution. This adjustment should correct corresponding balances.

NOTE O - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township provides sewage services. Segment information as of March 31, 2004, follows:

	Sewer Fund -----
Operating revenues	\$ 169,140
Depreciation expense	\$ 54,401
Operating income (loss)	\$ 14,679
Restrictive donations/grants	0
Operating transfers	0
Tax revenues	0
Increase (decrease) in Retained earnings	\$ 15,553
Current capital contributions	
Increase (decrease) in Fixed assets-work in progress	\$560,910
Long-term debt payable From operating revenues	\$808,000
Retained-earnings	
Unreserved (deficit)	\$1,262,386

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE P - DEFINED CONTRIBUTION PENSION

The Township participates in a defined contribution, money purchase individual account pension plan for elected officials only. The Township Clerk administers the plan with the monies on deposit with Manulife Financial. The plan was established in 1969 and allows for immediate vesting by participants. Total pension expense was \$3,036 for the fiscal year ending March 31, 2004. Additional information was not available allowing for full disclosure.

NOTE Q - ACCRUED LEAVE BENEFITS

According to a new personnel policy adopted, full time employees can accumulate the following leave benefits:

Annual Leave

Accrual of vacation time. Accrual date shall be employee's anniversary date.

- (1) Five working days after the first year of continual service employment
- (2) Ten working days after two years of continual service employment
- (3) One additional vacation day thereafter, up to a maximum of twenty (20) days per year
- (4) Vacation time may not be accrued during any period when the employee is on lay-off. His/her accrual resumes upon his/her reinstatement beginning as the day following his/her day prior to being laid off.

An employee who leaves the employ of the Township will be paid at his/her hourly rate or equivalent hourly rate (for salaried employees) for up to twenty (20) days of unused vacation time, unless the employee quits without providing notice to the Township. An employee whose employment has been terminated will be paid at his/her hourly rate or equivalent hourly rate for up to 20 days of unused vacation time. In the case of death of an employee, any earned but unused vacation benefit, up to twenty (20) days, shall be paid to the employee's estate.

Sick Leave

Each full-time employee, who have completed his or her probationary period shall earn one day of paid sick leave per month (accrued at the end of the month) with total accumulation not to exceed 120 days.

Employees may carry forward up to twelve (12) new days of unused sick leave annually until a maximum of 120 days has been accumulated. Accrued sick leave beyond the 120 day maximum will not be considered.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Upon resignation with proper notice, retirement or death, employees with ten or more years of service will be paid at their normal salary or hourly rate for their accrued sick leave, up to 30 days maximum. An employee who is dismissed or who resigns without two weeks formal notice forfeits any accrued sick leave compensation

One full-time employee is entitled to the above leave benefits which amounted to \$3,713 which are recognized as a financial liability to the Township in the Enterprise Fund as of March 31, 2004.

NOTE S- RISK MANAGEMENT

The Township is exposed to various risks of losses related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$1,000,000 per occurrence and a \$3,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2004, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE T - CONTINGENCIES

In the normal course of construction projects, the Township receives loan and grant funds from various federal and state agencies. These programs are subject to audit by agents of the lending and granting agencies, the purpose of which is to ensure compliance with conditions precedent to the awarding of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE U - RESTRICTED CASH ACCOUNTS

The Township has designated in General Fund monies of \$19,686 towards future debt retirement on economic development loans. Furthermore, the USDA-Rural Development requires certain bank accounts be established for various restrictive activities. The Township has opened various cash accounts and is in the process of funding each account as required by agreement.

COMBINING AND
INDIVIDUAL FUND
FINANCIAL STATEMENTS

CARP LAKE TOWNSHIP

GENERAL FUND
DETAIL OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
Year ended March 31, 2004

REVENUES	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Current property taxes	\$29,000	\$30,137	\$1,137
Delinquent property taxes	1,600		(1,600)
Commercial forest reserve		4,032	4,032
Swamp taxes	18,000	17,312	(688)
Tax administrative fees	2,900	4,186	1,286
Total taxes	\$51,500	\$55,667	\$4,167
State shared revenues	60,000	61,838	1,838
Rents	2,500	2,080	(420)
Reimbursements		180	180
Contributions		22,000	22,000
Miscellaneous	26,000	2,306	(23,694)
Sale of fixed assets	1,000	665	(335)
Interest income		2,922	2,922
TOTAL REVENUES	\$141,000	\$147,658	\$6,658
Other financing sources-Transfer from other funds	37,800	743	(37,057)
TOTAL REVENUES AND OTHER FINANCING SOURCE	\$178,800	\$148,401	(\$30,399)

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET CARP LAKE TOWNSHIP

	Year ended March 31, 2004		
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
LEGISLATIVE			
Township Board:			
Salaries	\$4,499		
Pension	3,036		
Office supplies	352		
Professional fees	5,508		
Transportation	33		
Printing and publications	252		
Insurance	4,007		
Miscellaneous	688		
Subscriptions	32		
Memberships	456		
Training	260		
Chargebacks	56		
	<hr/>	<hr/>	<hr/>
GENERAL	\$19,179	\$37,850	\$18,671
GOVERNMENT			
Supervisor:			
Salaries	\$7,800		
Assessor wages	7,560		
Supplies	96		
Postage	389		
Contractual costs	1,164		
Miscellaneous	440		
Transportation	271		
	<hr/>	<hr/>	<hr/>
TOTAL SUPERVISOR	\$17,720	\$17,150	(\$570)
 TOTAL ELECTION	 \$43	 \$800	 \$757

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET CARP LAKE TOWNSHIP

Year ended March 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Clerk:			
Salary	\$7,800		
Deputy wages	920		
Office supplies	123		
Transportation	328		
TOTAL CLERK	\$9,171	\$8,750	(\$421)
Board of Review			
Wages	\$840		
Transportation	36		
Publications	67		
TOTAL BOARD OF REVIEW	\$943	\$1,500	\$557
Treasurer:			
Salary	\$7,800		
Office supplies	1,670		
Postage	70		
Transportation	70		
TOTAL TREASURER	\$9,610	\$8,850	(\$760)
Township Property			
Wages	\$484		
Supplies	1,043		
Communications	1,520		
Utilities	4,875		
Repairs and maintenance	2,636		
TOTAL TOWN HALL	\$10,558	\$12,200	\$1,642
TOTAL GENERAL GOVERNMENT	<u>\$48,045</u>	<u>\$49,250</u>	<u>\$1,205</u>

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET CARP LAKE TOWNSHIP

Year ended March 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
PUBLIC SAFETY			
Fire:			
Wages	\$2,100		
Supplies	841		
Uniforms	205		
Repair and maintenance	413		
Communications	635		
Utilities	3,050		
Miscellaneous	15		
Page service	649		
Training	4,329		
Equipment	1,321		
TOTAL FIRE PROTECTION	\$13,558	\$12,800	(\$758)
Zoning:			
Wages	\$2,682		
Supplies	362		
Transportation	16		
TOTAL ZONING	\$3,060	\$5,400	\$2,340
TOTAL PUBLIC SAFETY	\$16,618	\$18,200	\$1,582

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET
CARP LAKE TOWNSHIP

Year ended March 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
PUBLIC WORKS			
Refuse cleanup	\$1,629	\$	(\$1,629)
Street lights	26,686	25,000	(1,686)
TOTAL PUBLIC WORKS	<u>\$28,315</u>	<u>\$25,000</u>	<u>(\$3,315)</u>
RECREATION AND CULTURE			
Parks:			
Wages	\$7,161		
Supplies	1,142		
Transportation	434		
Repairs and maintenance	500		
Utilities	3,203		
Miscellaneous	393		
Capitol outlay	23,598		
TOTAL PARKS	<u>\$36,431</u>	<u>\$31,800</u>	<u>(\$4,631)</u>
LIBRARY	\$10,477	\$12,500	\$2,023
TOTAL RECREATION AND CULTURE	<u>\$46,908</u>	<u>\$44,300</u>	<u>(\$2,608)</u>
OTHER			
Community activities	\$1,510	\$1,000	(\$510)
Payroll taxes	3,978	3,000	(978)
Debt service	4,059		(4,059)
TOTAL OTHER	<u>\$9,547</u>	<u>\$4,000</u>	<u>(\$5,547)</u>

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

CARP LAKE TOWNSHIP

Year ended March 31, 2004

	<u>Road Fund</u>	<u>Liquor Law Enforcement</u>	<u>Fire Fund</u>	<u>Building Inspections</u>	<u>Power Plant (CDBG)</u>	<u>Total</u>
Assets:						
Cash in bank	\$112,744	\$	\$1,073	\$1,359	\$	\$115,176
Certificates of deposit	30,428					30,428
Account receivable						
Accrued interest income	68					68
Total Assets	<u>\$143,240</u>	<u>\$</u>	<u>\$1,073</u>	<u>\$1,359</u>	<u>\$</u>	<u>\$145,672</u>
Liabilities & Equity:						
Accounts payable	\$	\$	\$	\$330	\$	\$330
Due to other funds			665			665
Fund balance-unreserved	<u>\$143,240</u>		<u>408</u>	<u>\$1,029</u>		<u>\$144,677</u>
Total Equity & Liabilities	<u>\$143,240</u>	<u>\$</u>	<u>\$1,073</u>	<u>\$1,359</u>	<u>\$</u>	<u>\$145,672</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - SPECIAL REVENUE FUNDS

CARP LAKE TOWNSHIP

Year ended March 31, 2004

	<u>Road Fund</u>	<u>Liquor Law Enforcement</u>	<u>Fire Fund</u>	<u>Building Inspections</u>	<u>Power Plant (CDBG)</u>	<u>Total</u>
Revenues:						
State shared revenues		\$1,751				\$1,751
Federal shared revenues	\$6,524				\$50,000	56,524
Interest income	1,226		\$70	\$11		1,307
Contributions					55,000	55,000
Charges for services				5,825		5,825
Total revenues	\$7,750	\$1,751	\$70	\$5,836	\$105,000	\$120,407
Expenditures:						
Inspection costs				\$5,922		\$5,922
Roads					\$105,000	105,000
Economic development			5,700			5,700
Equipment						1,008
Liquor investigations		1,008				
Debt service						
Total expenditures		1,008	5,700	5,922	105,000	\$117,630
Excess of revenue (loss) over expense	7,750	743	(5,630)	(86)	\$	\$2,777
Transfer to other funds		(743)				(743)
Fund Balance 3/31/2003	135,490		6,038	1,115		142,643
Fund Balance 3/31/2004	\$143,240	\$	\$408	\$1,029	\$	\$144,677

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET – ALL CAPITAL PROJECTS FUNDS

CARP LAKE TOWNSHIP

Year ended March 31, 2004

	EDA Industrial <u>Park</u>	CDBG Infrastructure <u>Program</u>	<u>Total</u>
Assets:			
Cash in bank	\$520	\$	\$520
Account receivable-State	67,231		67,231
Total Assets	<u>\$67,751</u>	<u>\$</u>	<u>\$67,751</u>
 Liabilities & Equity:			
Accounts payable	\$67,751	\$	\$67,751
Due to other funds			
 Fund balance-unreserved			
Total Equity & Liabilities	<u>\$67,751</u>	<u>\$</u>	<u>\$67,751</u>

The accompanying notes are an integral part of the financial statements

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – ALL CAPITAL PROJECTS FUNDS

CARP LAKE TOWNSHIP

Year ended March 31, 2004

	EDA Industrial <u>Park</u>	CDBG Infrastructure <u>Program</u>	<u>Total</u>
Revenues:			
Property taxes			
State shared revenues	\$50,061	\$	\$50,061
Total revenues	\$50,061	\$	\$50,061
Expenditures:			
Public works	\$50,061	\$	\$50,061
Excess of revenues over expenditures	\$	\$	\$
Fund Balance-3/31/2003	\$	\$	\$
Fund Balance 3/31/2004	\$	\$	\$

The accompanying notes are an integral part of the financial statements

COMBINING BALANCE SHEET – FIDUCIARY FUNDS

CARP LAKE TOWNSHIP

Year ended March 31, 2004

	Trust & Agency <u>Fund</u>	Tax Collection <u>Fund</u>	<u>Totals</u>
Assets-cash	\$493	\$1,354	\$1,847
Liabilities:			
Due to Township	\$212	\$1,276	\$1,488
Due to Others		78	78
Due to State	281		281
	\$493	\$1,354	\$1,847

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TRUST & AGENCY FUND

CARP LAKE TOWNSHIP

Year ended March 31, 2004

	<u>Balance at April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at March 31, 2004</u>
Assets-cash	\$1,269	\$101,041	\$101,817	\$493
Liabilities:				
Due to Township	\$49	\$64,548	\$64,385	\$212
Due to County		183	183	
Due State of Michigan	891	4,436	5,046	281
Due Federal Government		31,874	31,874	
Due to Others	329		329	
	<u>\$1,269</u>	<u>\$101,041</u>	<u>\$101,817</u>	<u>\$493</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TAX FUND

CARP LAKE TOWNSHIP

Year ended March 31, 2004

	<u>Balance at April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at March 31, 2004</u>
Assets-cash	\$458	\$339,478	\$338,582	\$1,354
Liabilities:				
Due to Township	\$458	\$29,550	\$28,732	\$1,276
Due to County		309,064	308,986	78
Due to State				
Due to Individuals		864	864	
	<u>\$458</u>	<u>\$339,478</u>	<u>\$338,582</u>	<u>\$1,354</u>

The accompanying notes are an integral part of the financial statements.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CARP LAKE TOWNSHIP

Year ended March 31, 2004

Federal Grantor Pass-Through Grantor <u>Program or Cluster Title</u>	Federal CFDA <u>Number</u>	Program Award <u>Amount</u>	Federal <u>Expenditures</u>
US Department of Agriculture:			
Direct Programs:			
Water and Waste Disposal Systems for Rural Communities:			
Loan program – Phase I	10.760	\$361,000	\$361,000
Loan program-Phase II	10.760	\$1,205,000	447,000
Grant Program	10.760	\$1,971,000	0
Department of Commerce:			
Direct Program:			
Grant Program	11.300	\$1,471,000	0
Department of Housing and Urban Development:	14.228	\$50,000	<u>50,000</u>
Total Federal Expenditures			<u>\$858,000</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CARP LAKE TOWNSHIP

Year ended March 31, 2004

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Carp Lake Township, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Nor-Profit Organizations. Expenditures in this schedule are in agreement with the amounts reported in the financial statements.

2. Loans Outstanding – Carp Lake Township have 2 outstanding bonds as of March 31, 2004. Both are held by the U.S. Department of Agriculture for funding provided for construction projects as follows:

Series 2003-A, issued \$361,000 with an outstanding Balance at March 31, 2004.	\$361,000
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Series 2003-B, issued \$1,205,000 with an outstanding Balance at March 31, 2004.	\$447,000
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3. Sub recipients – Of the federal expenditures presented in the schedule. Carp Lake Township provided no federal awards to sub recipients.
4. The U.S. Department of Agriculture program was selected as a major program, Type A, using the risk-based audit approach and the 50% high-risk auditee coverage rule.

Roger J. Kolehmainen PC CPA
1445 East Cloverland Drive
Ironwood, MI 49938
(906) 906-3600

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Supervisor and Members of the Board
Carp Lake Township
White Pine, Michigan

We have audited the financial statements of Carp Lake Township as of and for the year ended March 31, 2004, and have issued our report thereon dated November 17, 2004. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Carp Lake Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing the audit of the financial statements of Carp Lake Township for the year ended March 31, 2004, we considered the internal control structure in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Carp Lake Township is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods are subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. Reportable conditions noted in our review are as follows:

1. The Township did not compile a complete listing of general fixed assets to assure existence, condition and valuation required by Michigan Uniform Accounting System. The Township lacks knowledge as to all of its actual holdings.

The Township needs to establish an accurate general fixed assets listing; assure that proper valuation is assigned and assets are adequately insured against various types of losses.

2. The Township did not amend their special revenue funds budgets when it becomes apparent that actual expenditures will exceed budgeted amounts. Michigan Public Act 621 provides guidance to Township Officials as to when and how budgets should be amended.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We consider the above items to be a material weakness. We noted other matters involving internal control elements over financial reporting and its operations that require corrective action.


1. The Township had cash and investments on deposit that exceed the FDIC insurance coverage should a loss be experienced. The Treasurer should be instructed to research terms with other local banking institutions in reducing the risk element.
2. Waste water rates pertaining to customers located in the industrial park may be inadequate to offset actual operating costs and future replacements. In our review, a customer's billing was being discounted based upon an alleged evaporation, whereas, lift station pump usage would indicate otherwise.

The Township Board should retain an engineering firm to analyze the operating characteristics and related costs in extending services to the businesses located in the industrial park and provide assistance in developing an appropriate fee structure.

3. The Township's Fire Department fund raising activities pursued in the Township's name and bank accounts will need to be included in the Township's annual audit unless a separate legal entity has been utilized and recognized as being eligible to receive such monies.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above are believed to be a material weakness.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Members of the Board, is a matter of public record.


Roger J. Kolehmainen PC
Certified Public Accountant

November 17, 2004

Roger J. Kolehmainen PC CPA
1445 East Cloverland Drive
Ironwood, MI 49938
(906) 906-3600

REPORT ON COMPLIANCE REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Supervisor and Members of the Board
Carp Lake Township
White Pine, Michigan

Compliance

We have audited the compliance of Carp Lake Township with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended March 31, 2004. Carp Lake Township's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Carp Lake Township's management. Our responsibility is to express an opinion on Carp Lake Township's compliance based on our audit.

We conducted the audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carp Lake Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Carp Lake Township's compliance with those requirements.


In our opinion, Carp Lake Township complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended March 31, 2004. However, the result of our auditing procedures disclosed no items of noncompliance that is required to be reported in accordance with OMB Circular A-133.

Internal Control over Compliance

The management of Carp Lake Township is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Carp Lake Township's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should be used by anyone other than these specified parties.


Roger J. Kolehmainen PC
Certified Public Accountant

November 17, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CARP LAKE TOWNSHIP

Year ended March 31, 2004

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses a qualified opinion on the financial statements of Carp Lake Township.
2. There were reportable conditions disclosed during the audit of the financial statements reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to financial statements of Carp Lake Township were disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal award program reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for Carp Lake Township expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major program is the U.S. Department of Agriculture C.F.D.A. Number 10.760.
8. The threshold for distinguishing Type A programs was \$500,000. All programs were considered to be Type A.
9. Carp Lake Township was determined not to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS BASED UPON OMB COMPLIANCE
CIRCULAR A-133

NONE

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

SUMMARY SCHEDULE OF PRIOR YEARS FINDINGS

CARP LAKE TOWNSHIP

Year ended March 31, 2004

The prior audit was not performed in accordance with OMB Circular A-133. There were neither findings nor questioned costs relative to federal awards during the prior year audit.